



ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆ ಅನ್ವಯ ಸ್ಥಾಪಿತ

KARNATAKA STATE FINANCIAL CORPORATION

Established under the State Financial Corporations' Act, 1951



ಸಂಖ್ಯೆ : ಕ.ರಾ.ಹ.ಸಂ./ಪ್ರ.ಕ./

Ref. No. KSFC/H.O./ See .171 | 2012-13

ದಿನಾಂಕ :

Date 29.01.2013

CIRCULAR No.962

**Sub: Modified Chronic Assets Resolution
(MCAR) Scheme (Amended).**

-:o:o:-

The Modified Chronic Assets Resolution Scheme which was implemented with the approval of State Government was valid for a period of one year and subsequently extended the validity upto 31.01.2013. In the meanwhile, based on the recommendations of Executive Committee and Board, the State Government has approved certain amendments to the existing MCAR Scheme vide its letter No.FD 59 BFC 2012 dated 19.01.2013. The amended MCAR scheme is enclosed herewith for reference. The amended scheme is implemented in the Corporation with immediate effect.

All the BMs and HODs of Recovery Departments at HO are advised to follow the guidelines and ensure that maximum cases are settled under the scheme before 31.03.2013.

The contents of this Circular shall be brought to the notice of all the concerned in your Office / Department.

Encl: As above.


MANAGING DIRECTOR

To:
All BMs / AGMs / DGMs of BOs
All IA Cells
All Principal Officers / Section Heads in HO
All General Managers
Library
Executive Directors - for information.

ಪ್ರಧಾನ ಕಛೇರಿ : ಕೆ.ಎಸ್.ಎಫ್.ಸಿ ಭವನ, ನಂ. 1/1, ತಿಮ್ಮಯ್ಯ ರಸ್ತೆ, ಕಂಟೋನ್ಮೆಂಟ್ ರೈಲ್ವೆ ನಿಲ್ದಾಣದ ಹತ್ತಿರ, ಬೆಂಗಳೂರು - 560 052

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ANNEXURE - A

KARNATAKA STATE FINANCIAL CORPORATION HEAD OFFICE : BANGALORE

MODIFIED CHRONIC ASSET RESOLUTION (MCAR) SCHEME(Amended)

1. ACCOUNTS ELIGIBLE FOR SETTLEMENT:

(a) The loan should have been sanctioned on or before 31.10.2003;

and

The account should be in Doubtful-III category as on 31.03.2011, provided the account was in Doubtful-III category for a period not less than two years preceding the cut-off date;

(b) All accounts under MR category.

2. INELIGIBLE CASES:

- (i) All loans sanctioned for CRE sector are ineligible for resolution under this scheme;
- (ii) Cases of willful default, fraud and malfeasance.

3. RESOLUTION FORMULA:

	<i>Category</i>	<i>Minimum Resolution Amount</i>
A	<i>Where the value of primary assets is more than the amount payable on 2 times of SI*.</i>	<i>Disbursed amount + other debits + 2 times the SI demanded less repayments, without any write-off.</i>
B	<i>Where the value of secured assets + 50% of net value of PP assets is more than the amount payable on SI basis and not falling under 'A' above</i>	<i>On SI basis (i.e., disbursed amount + other debits + SI demanded less repayments) without any write-off.</i>
C	<i>Where the value of secured assets + 50% of net value of PP assets is less than the amount payable on SI basis and more than 30% of (P+OD)</i>	<i>75% of value of secured assets + 50% of net value of PP assets OR 30% of (P+OD) whichever is higher</i>
D	<i>The secured assets are sold / realized and net value of PP assets is -nil- or less than 30% of (P+OD)</i>	<i>Maximum possible amount as determined by the Sub Committee of the Board chaired by the Managing Director and recommendation of the</i>

	Category	Minimum Resolution Amount
		<i>Sub Committee will be placed before the Board</i>

**the amount payable on 2 times of SI means : Disbursed amount + other debits + 2 times the SI demanded less (-) repayments.*

Notes: (Additional)

- (a) *If the collateral security is a single dwelling house and occupied by the owner of the property, a concession of 25% on its value may be given while determining the settlement amount. However, this concession is not applicable for settlement under option 'C', as 25% concession is already extended under the said option.*
- (b) *In respect of the collateral/personal properties located in rural areas as defined in the MCAR policy, in addition to the concession in valuation of the property up to 25% proposed for the single dwelling houses, an additional concession up to 25% may be provided.*
- (c) *In respect of the cases where the chief promoters are deceased, suffering from chronic disease, incapacitated and are unable to run the enterprise nor earning any revenues from any other source, after detailed PP investigation, a concession up to 25% may be given on the settlement amount as determined in the respective resolution formula.*
- (d) *It is proposed that the cases which involve these two concessions at (b) & (c) above be placed before the sub-committee chaired by the Managing Director and the extent of concessions be decided in this meeting and the recommendations will be placed before the Executive Committee/Board for final approval.*
- (e) *The cases settled on or after 01.04.2009 shall have an option to pay the balance settlement amount along with 100% delayed period interest calculated @ 15% p.a on simple interest basis till the date of entire payment. Further, they have an option to opt for the new scheme in which case, the part of any settlement amount paid including initial amount will be considered for settlement under the scheme.*
- (f) *OTS cases approved prior to 01.04.2009 are not eligible for re-validation. However, part of the OTS amount paid towards OTS settlement including initial payment will be taken into consideration for settlement of account under the Scheme.*

Notes :(Original)

- (i) The resolution amount proposed to be collected as indicated above is the minimum amount;
- (ii) Detailed PP reports as per the prescribed formats in vogue should be certified by the HODs in the Head Office and Branch Managers in case of BOs. PP reports should be further certified by DGMs and ZMs in respect of BOs and by the concerned GMs in case of HO and Bangalore based BOs respectively;
- (iii) For determining the resolution amount in respect of cases where the disbursed loan amount is less than or equal to `10.00 lakhs, the value of PP assets may not be taken note of in case the Government of Karnataka extends the validity of Special OTS Scheme.
- (iv) Net value of PP assets means, the value of the personal property as per the valuation guidelines less the liability of other financial institutions / banks and statutory liabilities like Sales Tax, Income Tax, PF arrears etc., provided the property in question is attached by respective authorities.

4. DELEGATION OF AUTHORITY TO APPROVE THE RESOLUTION:

A. Where no assets are available (i.e., no primary, collateral and PP assets):

<i>Particulars</i>	<i>Approving Authority</i>
Resolution proposal without write-off i.e., P+OD and above irrespective of waiver amount	Next higher loan sanctioning authority*.
Resolution proposal involving write-off	Board, based on the recommendations of Executive Committee

B. Cases where primary, collateral and PP assets are available:

<i>Particulars</i>	<i>Approving Authority</i>
Upto resolution amount of `50.00 lakhs without write-off and if the loan sanctioned by the loan sanctioning authority is DGM/ZM and below irrespective of waiver amount.	General Managers*
Upto resolution amount of `75.00 lakhs without write-off and if the loan sanctioned by the loan sanctioning authority is GM and below irrespective of waiver amount.	Executive Directors*

<i>Particulars</i>	<i>Approving Authority</i>
Upto resolution amount of `100.00 lakhs without write-off and if the loan sanctioned by the loan sanctioning authority is ED and below irrespective of waiver amount.	Managing Director
Resolution amount above `100.00 lakhs without write-off irrespective of waiver amount.	Executive Committee
Resolution proposal involving write-off.	Board, based on the recommendations of Executive Committee

*If the loan was sanctioned earlier by a delegated authority, the approving authority for resolution in such cases will be the next higher loan sanctioning authority. For example, if the loan was earlier sanctioned by 'Mr.A' in his capacity as a Branch Manager, the resolution package pertaining to this loan can not be approved by 'Mr.A' in his capacity as a Zonal Manager /DGM and like-wise. In such cases the approving authority will be the next higher level authority of ZM/DGM.

5. GENERAL GUIDELINES:

- (i) Reliefs under this scheme cannot be claimed as a matter of right. The Corporation reserves the right to accept or reject proposal for resolution under the scheme at its discretion;
- (ii) An upfront payment of 25% of PD+OD amount shall be collected before processing the proposal which shall be held in ARPA till final resolution of the account is decided upon. The said amount shall not be refunded. Further, in case the proposal is not backed either by secured assets or by PP assets, the designated authority to decide the down payment to be made.
- (iii) If the entire resolution amount under the scheme is not paid within the stipulated time, the initial amount will be adjusted to the loan account and further recovery action shall be initiated in the normal course by cancelling the resolution package under the scheme.
- (iv) There shall be no revision and no discretion provided under the scheme to collect the resolution amount less than what is prescribed by the resolution formula unless *otherwise provided as above*.
- (v) The initial amount / part payment of OTS amount still kept in ARPA / Suspense account shall be taken into consideration towards 25% of initial

payment as required under the scheme.

- (vi) The resolution package as approved by the competent authority shall be placed before the next higher authority for information.
- (vii) Approved settlement amount has to be paid within 90 days from the date of communication without interest. 25% of the approved amount (including initial deposit) should be paid within 30 days. Another 25% should be paid by the end of 60 days from the date of communication and the balance 50% before the expiry of 90 days from the date of communication. The settlement package offered should lapse automatically at the end of the 90th day from the date of communication. The head of recovery departments in HO and Branch heads are responsible for communication of cancellation of the resolution immediately after the expiry of 90 days.

6. GUIDELINES FOR VALUATION OF PRIMARY / COLLATERAL / PERSONAL PROPERTIES :

Urban areas and semi-urban areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% SR value or market value whichever is higher.
Rural areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% SR value.

Note :

1. Definition of urban & semi-urban areas: All areas coming under BBMP, BMRDA, BIAPA, all city corporations, all district head quarters, all town municipal corporations and all areas coming under taluka head quarters. Further, areas falling within 25 Kms from the outer limits of Bruhat Bangalore Mahanagar Palike, 10 Kms from the outer limits of the other City Corporations and 5 Kms from the outer limits of City/Town Municipal Councils shall be treated as semi-urban areas.
2. Definition of rural areas: All areas excluding (1) above.
